



Ideas for a new day

PARAG MILK FOODS LIMITED

INVESTOR PRESENTATION

Q1 FY18

Gowardhan

GO

PRIDE OF COWS

TOP TIP

Parag Milk Foods Emerges as Fortune India's 'Next 500' Company

This presentation and the following discussion may contain “forward looking statements” by Parag Milk Foods Limited (“Parag Milk”) that are not historical in nature. These forward looking statements, which may include statements relating to future results of operations, financial condition, business prospects, plans and objectives, are based on the current beliefs, assumptions, expectations, estimates, and projections of the management of Parag Milk Foods about the business, industry and markets in which it operates.

These statements are not guarantees of future performance, and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond Parag Milk Foods control and difficult to predict, that could cause actual results, performance or achievements to differ materially from those in the forward looking statements. Such statements are not, and should not be construed, as a representation as to future performance or achievements of Parag Milk Foods. In particular, such statements should not be regarded as a projection of future performance of Parag Milk Foods. It should be noted that the actual performance or achievements of the company may vary significantly from such statements.

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Company Overview

2

Competitive Strengths

3

Strategic Initiatives

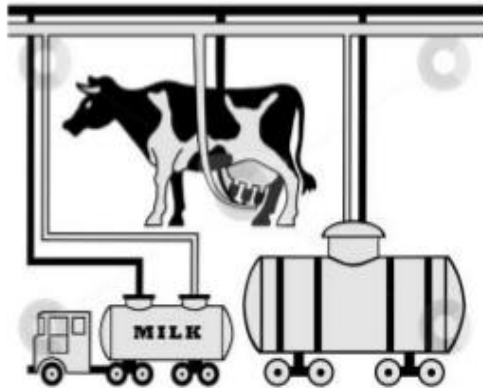
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Q1 FY18
Result Highlights



1992-1998 Commodity player

- ❑ Established in 1992
- ❑ Primarily involved in collection and distribution of milk



1998-2008 Milk Products Player

- ❑ Developed the 'Gowardhan' Brand
- ❑ Started manufacturing Ghee and Butter at Manchar
- ❑ Launch of Bhagyalaxmi Dairy Farms
- ❑ Launch of 'Go' Brand for targeting youth of India.
- ❑ Raised first round of private equity funding from MOSL



2008-2016 Branded Foods Player

- ❑ Established 40 MT per day capacity cheese plant at Manchar
- ❑ Launched dairy plant in Palamaner
- ❑ Launched Farm-to-Home brand 'Pride of Cows' & beverages range with 'Topp Up'
- ❑ Raised second round of private equity funding
- ❑ Expansion of cheese product ranges
- ❑ Focus on brand building and distribution



COMPANY OVERVIEW

ABOUT US: BRIEF PROFILE



BUSINESS OVERVIEW

- Incorporated in 1992, with collection and distribution of milk, we have now developed into a FMCG dairy company. We have a strong promoter pedigree with over two decades of rich industry experience.
- Diversified product portfolio with 170+ SKU's to cater to a wide range of customers through 7 Brands - 'Gowardhan', 'Go', 'Pride Of Cows', 'Topp Up', 'Milkrich', 'Avvatar' and 'Slurp. Recently ventured into the whey protein powder and fruit beverages categories.
- Derive all of our products from 100 % cows' milk. Our aggregate milk processing capacity is 2 million litres per day and our cheese plant has one of the largest production capacity in India, with a raw cheese production capacity of 60 MT per day.

KEY STRENGTHS

- Integrated Business Model encompassing entire value chain - Procurement, Manufacturing, Distribution and Branding.
- Robust brand portfolio targeted towards distinct consumer groups across the pyramid for better pricing power
 - Parag Milk Foods was ranked #1 in *Fortune India's* 'Next 500' from #67 last year
 - Our flagship brand Gowardhan was awarded the distinction of "Most Trusted Brand" in the ghee category for the 2nd consecutive year in 2017 by the Brand Trust Report.
 - Received the Consumer Voice award for our Gowardhan Ghee
 - 'Go' Cheese was awarded "India's Most Promising Brand 2014-15" in the FMCG category
- World Class Manufacturing with two state-of-the-art manufacturing facilities in Western and Southern India
- Established Strong Relationships with over 2 lakh farmers and over 2 lakh retail touch points
- Pioneering product innovation with strong R&D thrust with strong emphasis on health and nutrition
- Established Pan-India Distribution Network of 17 Depots, over 140 Super Stockists and over 3,000 Distributors.

COMPANY OVERVIEW

KEY AREAS OF STRATEGIC FOCUS



Ideas for a new day

Focus on Health & Nutrition

- Introduce healthy & nutritious product variants like
 - Whey protein powder for mass consumption and in different formats
 - Colostrum products – as daily supplements
 - Milk based high protein drinks (Topp Up, T-Star, Go)
 - High protein, low fat cheese products

Increase Our Value-added Product Portfolio

- Offer wider range of farm-to-home products under 'Pride of Cows'
- Focus on health & nutritional aspect in developing premium products
- Sell whey protein directly to consumers in the form of a branded product

Grow Our Product Reach

- Strengthen distributor & stockists base to achieve higher retail penetration
- Introduce low unit price products in Tier III cities
- Identify specific states and regions in India to increase sales volumes

Areas of Strategic Focus

Increase Operational Efficiencies

- Leverage in-house technological, R&D capabilities to:
 - Maintain strict operational controls
 - Enhance customer services levels
 - Develop customised systems & processes

Increase Our Milk Procurement

- Strengthening existing farmer relations
- Offer quality & quantity based incentives
- Set up new collection centres & reach new districts
- To add 75 new bulk coolers, 100 automated collection systems

Focus on Strengthening Our Brands

- Enhance brand recall through strategic branding initiatives
- Increase Ad spend on diverse channels including television, newsprint, digital media etc.

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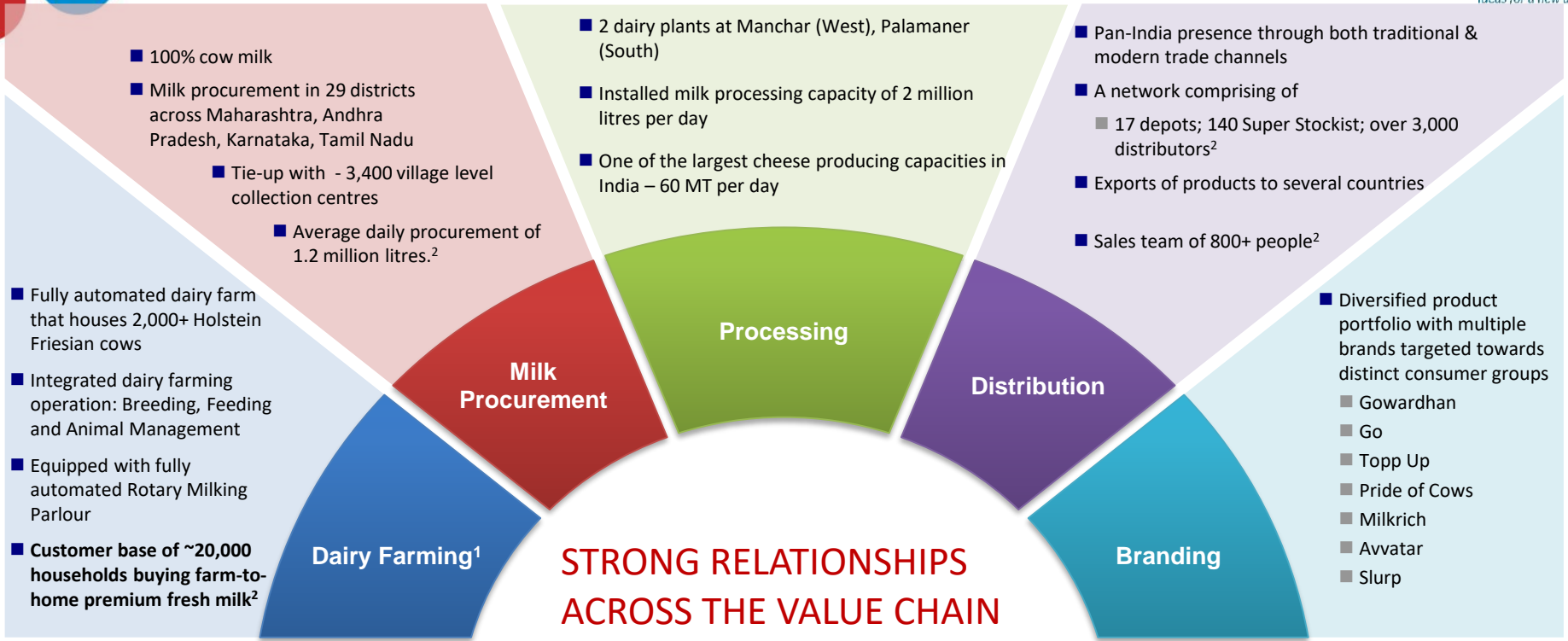


COMPETITIVE STRENGTHS

INTEGRATED BUSINESS MODEL



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Integrated Business Model that encompasses the entire value chain of the dairy based food and beverage business

Notes:
 (1) The dairy farming business is housed in Bhagalaxmi Dairy Farm which is owned and operated by Bhagalaxmi Dairy Farms Private Limited
 (2) As of 30th June, 2017

COMPETITIVE STRENGTHS

WIDE PRODUCT PORTFOLIO



PRODUCT PORTFOLIO OF PARAG MILK FOODS



SMALL PACKS FOR RURAL CONSUMPTION

RANGE OF PRODUCTS LAUNCHED IN FY17



9 ml Ghee sachet



200 gm Curd pouch



200 ml small UHT milk



Badam milk mix – 20 gm



Cheese wedges – herbs and slices



Go – Spice up in 5 new cheese flavors



Avatar – 1 kg sports nutrition protein powder



Milkrich - dairy whitener

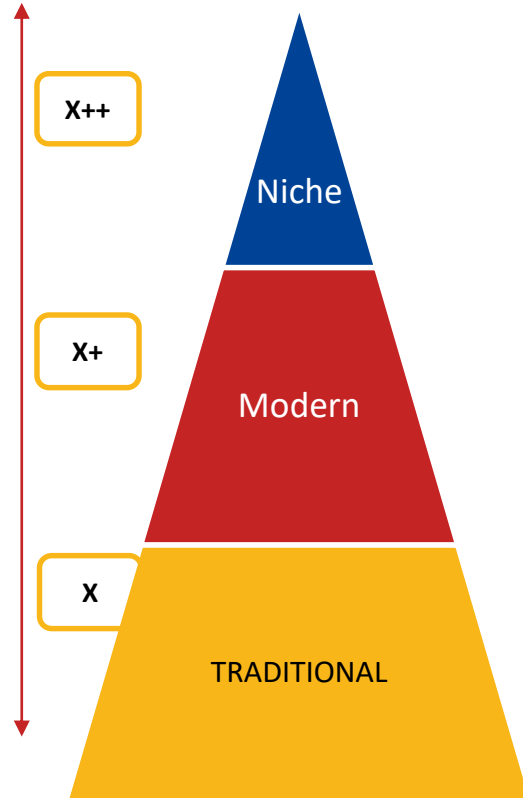
COMPETITIVE STRENGTHS

DIFFERENTIATED BRAND & PRODUCT PORTFOLIO

Brands Portfolio



Pricing power and Positioning



Target Customer Group



- Targeted at household consumers seeking premium quality cow's milk
- Targeted towards health enthusiasts



- Targeted at children and the youth generation, primarily for direct consumption
- Targeted for on-the-go consumption as source of instant nourishment



- Targeted for traditional Indian recipes and cooking ingredients
- Targeted at Indian households



COMPETITIVE STRENGTHS

EXTENSIVE SALES, MARKETING & DISTRIBUTION NETWORK



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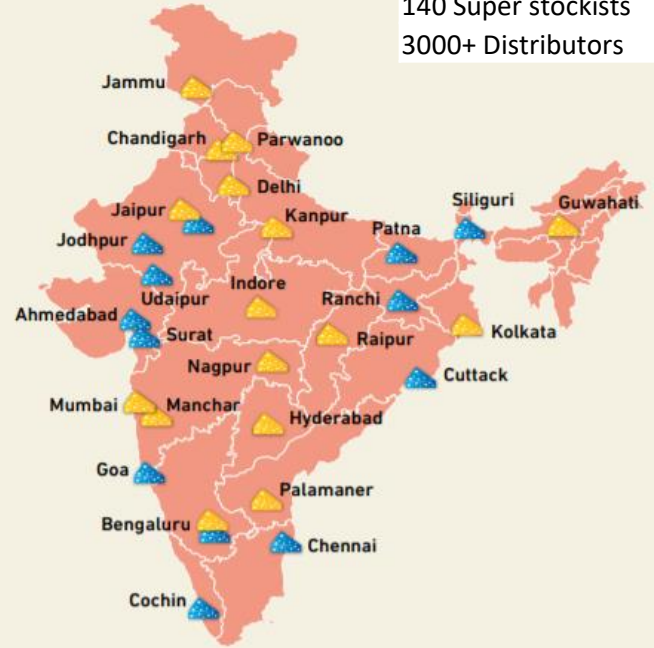
Well entrenched Pan-India distribution Network



Enormous Potential to grow in India

Our Pan-India Presence

Distribution Network
17 Depots
140 Super stockists
3000+ Distributors



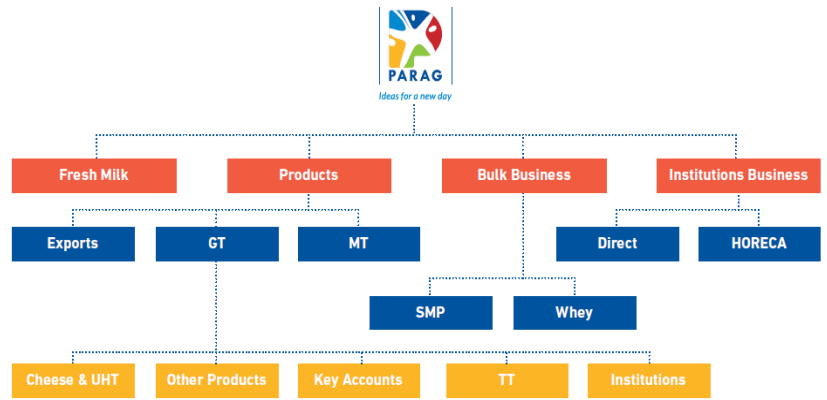
Map not to scale

Pan-India Distribution network 17 depots, over 140 super stockists, 3000+ distributors

Dedicated Sales and Marketing team comprising of over 800 personnel to serve our retail as well as institutional customers

Deploys product specific marketing & distribution strategy

Route-to-market addressing diverse consumption points





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Q1FY17 Result
Highlights

STRATEGIC INITIATIVES

KEY DEVELOPMENTS IN Q1FY18

NEW PRODUCTS LAUNCHED

Avatar – Whey Protein powder was commercially launched into new markets



Slurp - a mango drink made from the finest Alphonso mangoes with a dash of milk



MARKETING CAMPAIGNS

Launched a focused marketing campaign for Cow Ghee with **Jagannath Yatra** and the slogan – '**Pyaar Ka Rang Sunhera**'



Launched a clutter breaking marketing campaign of “**Yeh 'aam', aam nahi**” across four premier cities



STRENGTHING OUR DISTRIBUTION NETWORK

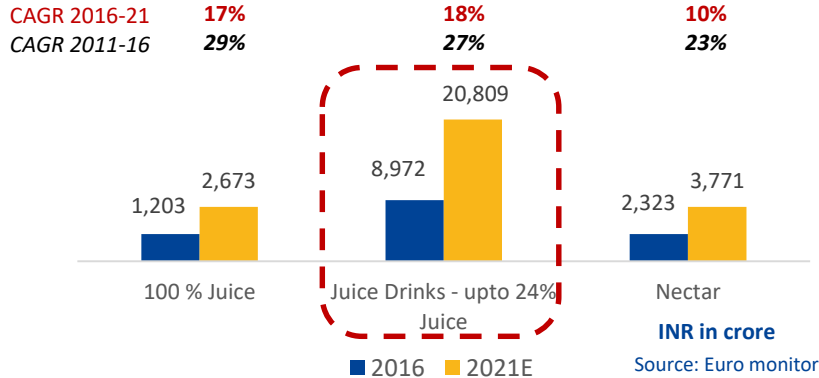
- “Gowardhan Bandhan” in Delhi, an event of fun filled celebrations and felicitations that brought together thousands of our distributors
- The event aims to further strengthen our relationship with our network of distributors, all of whom play an important role in our future growth and expansion plans



STRATEGIC INITIATIVES

NEW PRODUCT LAUNCH - MANGO BEVERAGE

Juice Industry



Rationale

- Drive operational efficiency at the Palamner plant in South India
- Expand our portfolio of value added products, specifically within the beverage category
- Enter the rapidly growing over ₹6,000 crore mango drink segment that comprises 85% of the juice drink market in India
- Better in overall appeal, taste and thickness of the product

SLURP



SLURP is a mango drink with a dash of milk that balances the sweetness of the mango pulp

Use of finest Alphonso mango pulp

Clutter breaking marketing campaign of “Yeh ‘aam’, aam nahi”

SKU launched in tetrapak of 200 ml at INR 20/-

Available in Mumbai, Delhi, Kanpur and Chennai

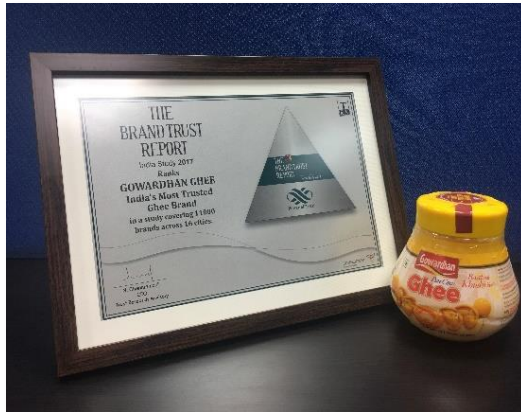
STRATEGIC INITIATIVES AWARDS & ACCOLADES



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Our flagship brand Gowardhan has been awarded the “**Most Trusted Brand**” in the ghee category for the second year in a row in 2017, by the Brand Trust Report.



Received the ‘**Consumer Voice**’ Award for our cow ghee.



We were ranked #1 in **Fortune India's Next 500** list



STRATEGIC INITIATIVES

DEPLOYMENT & UTILIZATION OF IPO PROCEEDS



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Rs. in million

Sr. No	Objects of Issue	Amount to be utilized	Amount utilized till now *	Pending Utilization
1	Expansion and Modernisation of existing capacities at Manchar & Palamaner and improving marketing and distribution Infrastructure	1,477	840	637
2	Expansion and modernisation of the Bhagalaxmi Dairy Farm	23	5	18
3	Partial repayment of the Working Capital Consortium Loan	1,000	1,000	0
4	General corporate purposes (Gross of Expenses)	284	284	0
	Total	2,784	2,129	655





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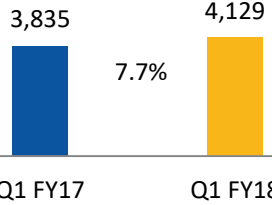
Q1 FY18 RESULT ANALYSIS

KEY RESULT HIGHLIGHTS

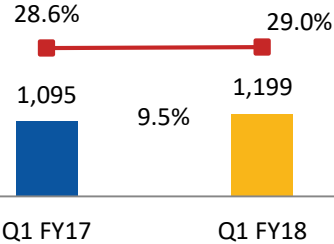


Consolidated Financial Analysis

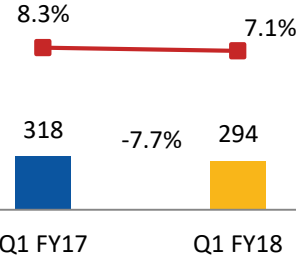
REVENUES



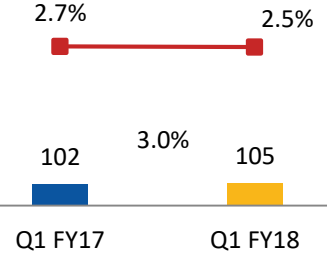
GROSS PROFIT & GROSS MARGIN



EBITDA & EBITDA MARGIN

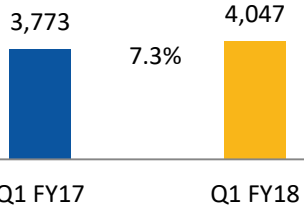


PAT & PAT MARGIN

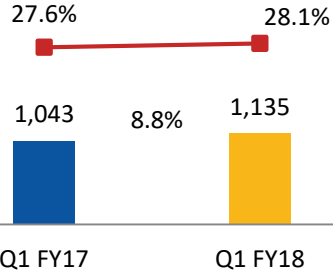


Standalone Financial Analysis

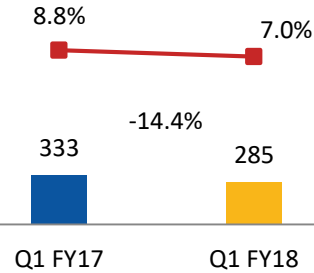
REVENUES



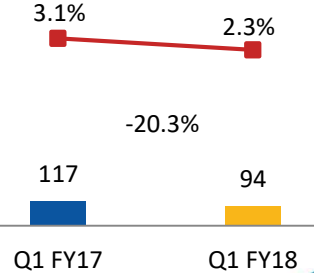
GROSS PROFIT & GROSS MARGIN



EBITDA & EBITDA MARGIN



PAT & PAT MARGIN



Q1 FY18 RESULT ANALYSIS

CONSOLIDATED PROFIT & LOSS STATEMENT



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Particulars (In Rs Mn)	Q1 FY18	Q1 FY17	YoY %	FY17
Revenue from Operations	4,128.8	3,834.7	7.7%	17,307.4
Raw Material Costs	2,929.4	2,739.8	6.9%	12,588.3
GROSS PROFIT	1,199.3	1,094.9	9.5%	4,719.1
<i>Gross Margins</i>	<i>29.0%</i>	<i>28.6%</i>	<i>40 bps</i>	<i>27.3%</i>
Employee Expenses	189.7	174.1	9.0%	794.4
Other Expenses	715.8	602.4	18.8%	2,843.0
EBITDA	293.8	318.4	-7.7%	1,081.6
<i>EBITDA Margin %</i>	<i>7.1%</i>	<i>8.3%</i>	<i>-120 bps</i>	<i>6.2%</i>
Depreciation	115.6	98.0	18.0%	489.6
Finance Cost	79.1	96.0	-17.6%	332.8
Other Income	15.5	16.0	-3.2%	109.9
Exceptional Item	-	-	-	193.8
PBT	114.5	140.3	-18.4%	175.3
Tax Expense	9.3	38.1	-75.7%	4.0
PAT	105.3	102.2	3.0%	171.3
<i>PAT Margin %</i>	<i>2.5%</i>	<i>2.7%</i>	<i>-20 bps</i>	<i>1.0%</i>

Amounts In Rs Million

Q1 FY18 RESULT ANALYSIS

PRODUCT WISE REVENUE BREAK-UP

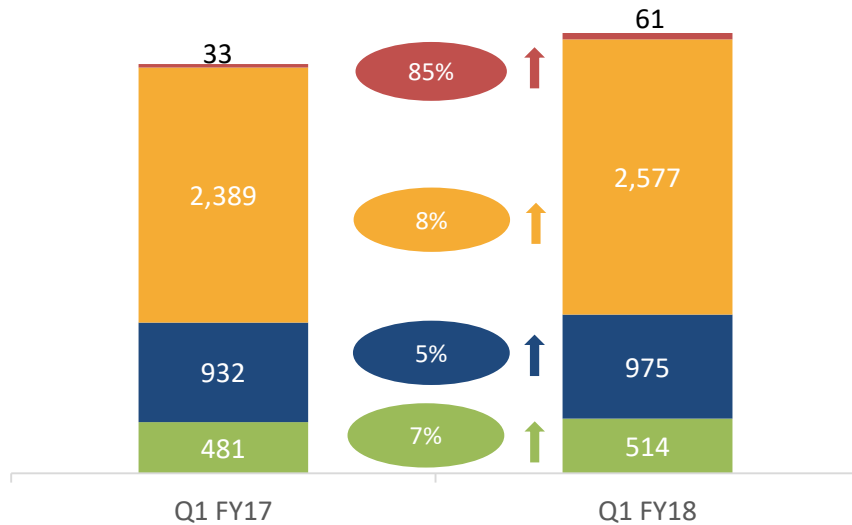
Q1 FY18 YoY ANALYSIS – REVENUE BREAKUP

Revenue from Operations

3,835

8%

4,129



■ Other Revenues ■ Milk Products ■ Liquid Milk ■ Skimmed Milk Powder

Q1 FY18 Revenues increased YoY driven by –

- ✓ Growth in Milk products segment
- ✓ Expansion of distribution network
- ✓ Growth not in line with projections due to de-stocking ahead of GST roll-out

Q1 FY18 RESULT ANALYSIS

KEY HIGHLIGHTS & ANALYSIS

Revenues

Revenues grew by 7.7% YoY from Rs 3,834.7 mn in Q1 FY17 to Rs 4,128.8 mn in Q1 FY18

- Growth in Q1 FY18 revenue continued to be driven by higher contribution from milk products. However, due to pre-GST destocking in the last 15 days of June, we have seen impact on overall growth
- Revenue in milk products grew by 8% due to growth in Ghee, Dahi and UHT products
- Revenue in liquid milk grew by ~5%, lower than expected due to farmer strikes in May-June that caused disruptions in dispatches

Gross Margin

Gross Margin increased by 48 bps from 28.6% in Q1 FY17 to 29.0% in Q1 FY18.

- During Q1 FY18, raw milk prices increased YoY which was offset with an increase in price in consumer products and SMP

EBITDA

EBITDA declined by 120 Bps from Rs 318.4 mn in Q1 FY17 to Rs 293.8 mn in Q1 FY18

- EBITDA margin was lower due to higher other expense and increase in employee expense
- Apart from inflationary increase, the major increase in other expenses is attributed to re-grouping of expenses and higher expenditure on marketing and distribution

PAT

PAT increased by 3.0% from Rs 102.2 mn in Q1 FY17 to Rs. 105.3 mn in Q1 FY18

- Other income declined marginally to Rs 15.5 mn during the quarter
- The increase in depreciation was offset by a decrease in the finance cost
- Tax expense during the quarter was lower, leading to higher PAT margin

Q1 FY18 RESULT ANALYSIS

BUSINESS OUTLOOK SNAPSHOT



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CAGR – Last 3 years

Guidance for next 3 years

SALES

17.0%

14.0%
CAGR

FY17

Guidance for next 3 years

PAT

1.0%

5.0% +

FY17

Guidance for next 3 years

ROCE

7.3 %

20.0% +

Q1 FY18 RESULT ANALYSIS

SHAREHOLDING SUMMARY

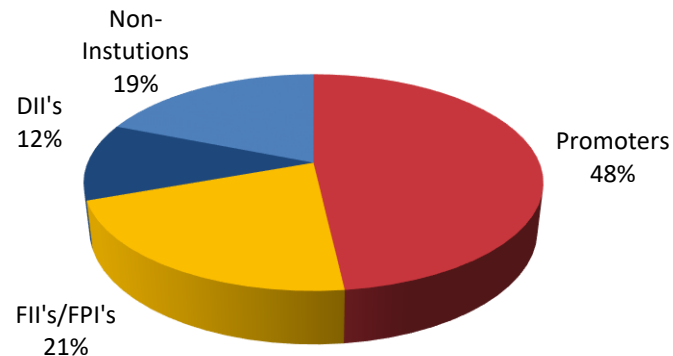


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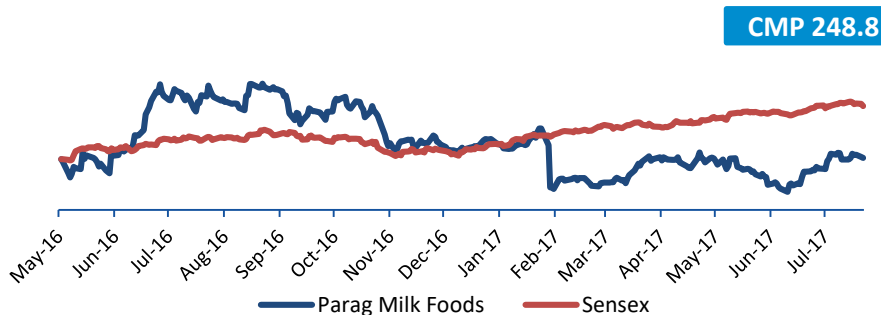
Top 10 Institutional Investors as on 30th June 2017

	% Holding
IDFC Trust	6.0%
Nomura India Investment	3.5%
Goldman Sachs India Limited	2.9%
New Horizon Opportunities	2.9%
IDFC Spice Fund	2.9%
Government Pension Fund Global	2.7%
Abu Dhabi Investment Authority	2.1%
Copthall Mauritius Investment Ltd.	1.1%
AADI Financial Advisors LLP	1.0%
Canara Robeco Mutual Fund	0.9%

Shareholding as on 30th June 2017



Share Price Performance (Normalized) as on 8th August 2017



Market Data

As on 8th August 2017

Market Capitalization (Rs mn)	20,948.7
Price (Rs)	249.1
IPO Price (Rs)	215.0
No. of Shares Outstanding (mn)	84.1
Face Value (Rs)	10.0
52 Week High-Low (Rs)	354.0-203.0

FOR ANY FURTHER QUERIES CONTACT -



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THANK YOU



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